

Report of the Directors

The Directors hereby present their report and the audited financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31st December, 2000.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

During the year, the Group discontinued its investment in hotel and restaurant operations, and property investment. Further details of the discontinued operations are set out in note 3 to the financial statements. Other than the foregoing, the Group has continued to engage in the management of hotel operations, and commenced the development and operation of, and investment in media, entertainment, Internet and technology-oriented businesses, and the provision of advertising agency services.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed at the special general meeting held on 29th June, 2000, the name of the Company was changed from “Lai Sun Hotels International Limited” to “eSun Holdings Limited” with effect from 10th July, 2000.

Report of the Directors

SEGMENTED INFORMATION

An analysis of the Group's turnover and contribution to loss from operating activities by principal activity and geographical area of operations for the year ended 31st December, 2000 is as follows:

	Turnover		Contribution to loss from operating activities	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By activity:				
Hotel and restaurant operations	156,936	333,684	15,321	28,688
Hotel management fee income	4,160	8,997	1,456	3,413
Media and entertainment operations	—	—	(9,354)	—
Advertising income	13,440	—	2,500	—
Property investment	—	32,013	—	24,691
	<u>174,536</u>	<u>374,694</u>	<u>9,923</u>	<u>56,792</u>
Unallocated general and administrative expenses, net of other income			(49,466)	(69,029)
Unrealised holding gain/(loss) on short term investments			(351,206)	220
Interest income received and receivable on the amount due from and deposits paid to Furama Hotel Enterprises Limited ("FHEL")			107,276	108,537
Gain on disposal of subsidiaries			23,596	58,306
Gain on disposal of associates			11,612	—
Loss on disposal of a long term investment			(20,000)	—
Compensation received and receivable from Lai Sun Development Company Limited ("LSD")			—	2,459
Provisions for diminutions in values of associates			—	(116,224)
Write-off of goodwill			—	(83,362)
Loss on disposal of a property			—	(158,645)
Provisions for diminutions in values of fixed assets			—	(1,030,470)
Provisions for impairments in values of long term investments			—	(55,157)
			<u>(268,265)</u>	<u>(1,286,573)</u>

Report of the Directors

SEGMENTED INFORMATION (continued)

	Turnover		Contribution to loss from operating activities	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By geographical area:				
The People's Republic of China:				
Hong Kong	127,079	212,707	12,064	30,738
Other areas	3,145	32,013	1,909	24,691
Canada	11,177	65,064	(7,337)	3,349
United States of America	—	2,494	—	2,137
Others	33,135	62,416	3,287	(4,123)
	<u>174,536</u>	<u>374,694</u>	<u>9,923</u>	<u>56,792</u>
Unallocated general and administrative expenses, net of other income			(49,466)	(69,029)
Unrealised holding gain/(loss) on short term investments			(351,206)	220
Interest income received and receivable on the amount due from and deposits paid to FHEL			107,276	108,537
Gain on disposal of subsidiaries			23,596	58,306
Gain on disposal of associates			11,612	—
Loss on disposal of a long term investment			(20,000)	—
Compensation received and receivable from LSD			—	2,459
Provisions for diminutions in values of associates			—	(116,224)
Write-off of goodwill			—	(83,362)
Loss on disposal of a property			—	(158,645)
Provisions for diminutions in values of fixed assets			—	(1,030,470)
Provisions for impairments in values of long term investments			—	(55,157)
			<u>(268,265)</u>	<u>(1,286,573)</u>

Report of the Directors

RESULTS AND DIVIDENDS

Details of the results of the Group for the year ended 31st December, 2000 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 31 to 81.

No interim dividend was paid or declared in respect of the year ended 31st December, 2000 (1999: Nil).

The Directors do not recommend the payment of any final dividend in respect of the year ended 31st December, 2000 (1999: Nil).

DIRECTORS

The Directors of the Company who were in office during the year and those as at the date of this report are as follows:

Lien Jown Jing, Vincent (<i>Chairman</i>)	
Stephen Hung (<i>Vice Chairman</i>)	(appointed on 1st February, 2000)
Lee Po On (<i>Chief Executive Officer</i>)	(appointed on 10th March, 2000)
Lam Kin Ngok, Peter	
Lim Por Yen	
Liu Ngai Wing	
Lam Kin Ming	
Tam Wai Chu, Maria	(appointed on 26th October, 2000)
U Po Chu	
Shiu Kai Wah	
Chiu Wai	
Victor Yang	
Alfred Donald Yap*	
Low Chee Keong*	
Dong Jiufeng	(resigned on 7th January, 2000)
Wong Tin Yau, Kelvin	(resigned on 7th January, 2000)

* *Independent non-executive Directors*

The Directors would like to record a vote of thanks to Messrs. Dong Jiufeng and Wong Tin Yau, Kelvin for their valuable services and past contributions made to the Company during their tenure of office.

In accordance with Bye-law 86(2) of the Company's Bye-laws, Madam Tam Wai Chu, Maria will retire at the forthcoming Annual General Meeting and, being eligible, she offers herself for re-election.

In accordance with Bye-law 87 of the Company's Bye-laws, Messrs. Lam Kin Ming, Liu Ngai Wing, Shiu Kai Wah and Victor Yang will retire by rotation at the forthcoming Annual General Meeting and, being eligible, they offer themselves for re-election.

Report of the Directors

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming Annual General Meeting has an unexpired service contract with the Company, or any of its subsidiaries, which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' emoluments and those of the five highest paid individuals in the Group are set out in note 8 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

- (a) Pursuant to an agreement entered into by Lai Sun Hotels (B.V.I.) Limited, Lai Sun Development Company Limited ("LSD"), Grand Hill Holdings Limited, Lam Kin Ngok, Peter and Glynhill International Limited ("GIL") in respect of the acquisition of Heathfield Limited, LSD and Lam Kin Ngok, Peter have given an indemnity to the Group against all liabilities, losses, proceedings and claims arising from, or in consequence of, the litigation concerning the interest purchased.
- (b) A hotel management contract was entered into between a subsidiary of the Group, Delta Hotels Management (Thailand) Limited and P.S. Development Group of Companies Ltd. ("PSD"), an associate of LSD. This contract sets out the management services provided to a hotel owned by PSD in Bangkok.
- (c) A central marketing and promotional services agreement was entered into between a subsidiary of the Group, Delta Asia Limited ("DAL") and PSD. This agreement sets out the marketing and promotional services provided to a hotel owned by PSD in Bangkok.
- (d) A management agreement was entered into on 1st July, 1993 between a subsidiary of the Group, Glynhill International Hotels Management Sdn. Bhd. and Pengkalen Holiday Resort Sdn Bhd ("PHR"), a company in which LSD has a 10% interest. The agreement sets out the management services provided to a hotel owned by PHR in Malaysia.
- (e) A royalty agreement was set up on 1st July, 1993 between a subsidiary of the Group, Dixieland International Limited, and PHR in Malaysia to use the "DELTA" tradename and trademark in its hotel operations. This agreement was terminated upon the deflagging of the "DELTA" logo on 31st October, 1999.
- (f) In connection with a hotel in the Philippines (the "Hotel") owned by Philippine Dream Company, Inc. ("PDC"), an associate of LSD, a number of agreements were set up by PDC on 8th December, 1995:
 - (1) A management agreement was entered into with Delta Hotels & Resorts Asia Pacific Pte. Ltd. ("DHR"), a subsidiary of DAL, for management services provided to the Hotel.

Report of the Directors

DIRECTORS' INTERESTS IN CONTRACTS (continued)

Under the agreement, DHR receives management fees based on a percentage of the gross operating profit of the Hotel and the reimbursement of costs and expenses incurred in the provision of such services. The management agreement has an initial term of five years and may be extended for three additional terms of five years at DHR's option.

- (2) An offshore agreement was entered into with DAL for marketing and advisory services provided to the Hotel. DAL is entitled to service fees based on a percentage of the gross revenue and gross room revenue of the Hotel and the reimbursement of costs and expenses incurred in the provision of such services. The agreement has an initial term of ten years and may be extended at DAL's option for an additional term of ten years.
- (g) A management agreement was entered into on 23rd April, 1998 between a subsidiary of the Group, Glynhill Hotels and Resorts (Vietnam) Pte. Limited and Chains Caravelle Hotel Joint Venture Company Limited ("CCJV"), which was disposed of to LSD on 29th June, 2000 and is now a subsidiary of LSD. The agreement sets out the management services provided to a hotel owned by CCJV in Ho Chi Minh City, Vietnam.

Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming and Madam U Po Chu were deemed to be interested in the contracts mentioned in (a) to (g) by virtue of their interests described under paragraph (b) of the section "Directors' interests in equity or debt securities" from pages 21 to 24.

Mr. Victor Yang is a partner of Boughton Peterson Yang Anderson, a firm which provides legal services to the Group and receives normal professional fees for such services.

In the opinion of the Directors, the above transactions arose in the ordinary course of business.

Except as disclosed above, under the headings "Connected Transaction", "Connected Transaction and Practice Note 19 to the Listing Rules", and in the notes to the financial statements, no Director had a material interest in any contract of significance to which the Company, any of its holding companies, subsidiaries or fellow subsidiaries was a party during the year.

CONNECTED TRANSACTION

Acquisition of interests in HKATV.com Limited ("HKATV.com")

On 14th March, 2000, the respective boards of Directors of Lai Sun Garment (International) Limited ("LSG"), Lai Sun Development Company Limited ("LSD") and the Company jointly announced that on 10th March, 2000, Houseman International Limited ("Houseman"), Asia Television Limited ("ATV") and HKATV.com entered into an agreement pursuant to which Houseman conditionally agreed to purchase and ATV conditionally agreed to sell 50% of the issued share capital in HKATV.com for a total consideration of HK\$300,000,000 comprising: (i) HK\$150,000,000 in cash, and (ii) the issue of 210,000,000 new LSD shares.

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CONNECTED TRANSACTION (continued)

Acquisition of interests in HKATV.com Limited (“HKATV.com”) (continued)

The consideration was negotiated on an arm’s length basis with ATV by the Directors of LSD and the Company and determined based on the long term investment potential and projected revenue to be generated from HKATV.com having regard to the exploitation rights granted to HKATV.com by ATV.

Houseman was established to hold those companies’ investment in HKATV.com. The respective Directors of LSG, LSD and the Company considered the entering into of the Agreement to be an attractive investment opportunity for LSD and the Company, which will allow the LSG group to participate directly in ATV’s Internet initiatives relating to the hkatv.com website and the exploitation of certain program rights through, or in connection with this website and the Internet worldwide.

HKATV.com was established for the purpose of carrying on the business of developing and maintaining the hkatv.com website and exploiting certain program rights through, or in connection with, this website and the Internet worldwide.

As at 14th March, 2000, LSG together with its associates and Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming and their associates (as defined in the Listing Rules) (the “Lim Family”) beneficially owned approximately 50.66% of the issued ordinary share capital of LSD which, in turn, beneficially owned approximately 52.06% of the issued share capital of the Company. Each of LSD and the Company beneficially owned 50% of the issued share capital of Houseman. The Lim Family beneficially owned approximately 16.08% of the issued share capital of ATV and LSD beneficially owned approximately 16.67% of the issued share capital of ATV. Accordingly, the agreement and the transactions constituted a connected transaction for each of LSG, LSD and the Company. The transaction was completed on 2nd May, 2000.

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CONNECTED TRANSACTION AND PRACTICE NOTE 19 TO THE LISTING RULES

Advance to Furama Hotel Enterprises Limited (“FHEL”), a subsidiary of LSD

On 1st June, 2000, the Company and LSD entered into a reorganisation agreement (the “Reorganisation Agreement”) which contemplated the cancellation of the Development Agreement entered into in February 1999 and the reduction of the outstanding indebtedness due by FHEL, a subsidiary of LSD, to Golden Pool Enterprise Limited (“GPEL”), a subsidiary of the Company.

In connection with the Reorganisation Agreement, LSD agreed to dispose of certain technology-oriented assets with an aggregate value of approximately HK\$1,085 million to the Group and, at the same time, the Group agreed to transfer certain hotel and ancillary assets with an aggregate value of approximately HK\$685 million to LSD. The considerations for each of the technology-oriented assets and the hotel and ancillary assets were determined based on the adjusted net asset values of these assets by reference to the valuations performed by independent professional valuers in respect of the open/fair market value as at 26th May, 2000, except for certain listed investments transferred by LSD to the Company, which were based on the average closing price of such investments for the 30 business days immediately preceding 2nd June, 2000 plus a premium of 11.4%. The net consideration of approximately HK\$400 million relating to the disposal of assets made by both parties would be deducted from the outstanding principal amount of the indebtedness due by FHEL.

Report of the Directors

CONNECTED TRANSACTION AND PRACTICE NOTE 19 TO THE LISTING RULES (continued)

Advance to Furama Hotel Enterprises Limited (“FHEL”), a subsidiary of LSD (continued)

As a result of the cancellation of the Development Agreement, the indebtedness of approximately HK\$1,900 million became immediately due by FHEL to GPEL. The indebtedness amount was reduced by the net consideration of approximately HK\$400 million to approximately HK\$1,500 million after the completion of the asset transfers detailed above.

As a result of the group reorganisation, LSD continues to focus on the business of the development of and investment in property, and investment in and operation of hotels and restaurants, whereas the Company, after completing its transformation into a technology-oriented company, shifted its core activities to the development and operation of, and investment in, telecommunications, media, entertainment and other related businesses, through Internet or other electronic means.

As at 1st June, 2000, LSD beneficially owned approximately 52.06% of the issued share capital of the Company. The transaction, therefore, constituted a connected transaction of the Company and LSD as defined under the Listing Rules. The transaction was approved by the independent shareholders of the Company and LSD at their respective extraordinary general meetings held on 29th June, 2000.

To secure the remaining indebtedness of HK\$1,500 million due from FHEL, GPEL is entitled to share security items (B) and (C) below with LSD's Exchangeable Bondholders and Convertible Bondholders in respect of the indebtedness due from FHEL on a pro rata basis.

- (A) LSD has guaranteed the repayment of the outstanding principal and accrued interest payable to GPEL.
- (B) The indebtedness shall be secured by a limited recourse second charge created over the 6,500 shares in Diamond String Limited, beneficially owned by LSD through Surearn Profits Limited, for repayment of the outstanding principal amount plus accrued interest.
- (C) LSD agreed to grant a negative pledge to its Exchangeable Bondholders, the Convertible Bondholders and the Company, and has agreed not to create additional security over Causeway Bay Plaza 1, Causeway Bay Plaza 2 and Cheung Sha Wan Plaza without the prior consent of LSD's Exchangeable Bondholders and Convertible Bondholders and the Company. LSD has also undertaken that, upon the disposal of all or a substantial part of such properties by LSD or any of its subsidiaries prior to 31st December, 2002 which results in a net consideration in excess of amounts secured by any first or prior charge or right over the property sold and costs and expenses related to such disposal (“Surplus”), 70% of any Surplus would be paid on a pro rata basis based on, in the case of LSD's Exchangeable Bondholders and the Convertible Bondholders, the outstanding principal amounts owed plus the accrued interest and redemption premium, and any investment parity payment due together with the accrued interest, and in the case of the Company, the outstanding principal amount owed plus the accrued interest, from time to time to LSD's Exchangeable Bondholders, the Convertible Bondholders and the Company.

Report of the Directors

CONNECTED TRANSACTION AND PRACTICE NOTE 19 TO THE LISTING RULES (continued)

Advance to Furama Hotel Enterprises Limited (“FHEL”), a subsidiary of LSD (continued)

The indebtedness due from FHEL is subject to interest at a rate of 5% per annum on the outstanding balance and the repayment date will fall due on 31st December, 2002.

On 30th June, 2000, the Group entered into a Deed of Undertaking and Indemnity with LSD, whereby the Group agreed to indemnify any losses or charges suffered by LSD if one of the disposed assets, with a 45% interest in Guangzhou International Golf Club Limited, which owns and operates a golf club in Xiancun, Zhencheng, Guangdong Province, the People’s Republic of China, has not obtained valid land use rights over a total area of 1,430 mu (approximately 953,338.10 square meters) of the land. The indemnity created is limited to a maximum of HK\$25 million. Further details of the indemnity are disclosed in note 35 of the financial statements.

BIOGRAPHICAL DETAILS OF DIRECTORS

Executive Directors

Mr. Lien Jown Jing, Vincent, Chairman, aged 40, first joined the Board as an independent non-executive Director in August 1998 and was later appointed an executive Director and elected the Chairman of the Company in December 1999. He has over 11 years’ experience in banking and corporate finance in Hong Kong, China, Singapore and South-east Asia, having held various senior positions at different major multinational banking institutions.

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Mr. Stephen Hung, Vice Chairman, aged 42, was appointed an executive Director and the Vice Chairman of the Company in February 2000. Mr. Hung is currently co-chairman of The Taipan.net Limited and a non-executive Director of Across Asia Multimedia group. He was formerly co-head of Investment Banking at Merrill Lynch responsible for the Asia Pacific region and subsequently formed his own investment banking firm in 1992, Amida Capital group. He also served as vice chairman and chief executive of American Dream Parks & Entertainment group between 1994–1998.

Mr. Lee Po On, Chief Executive Officer, aged 45, was appointed an executive Director and Chief Executive Officer of the Company in March 2000. Mr. Lee joined the Lai Sun Group in November 1987 and held the position of chief executive officer of Asia Television Limited during 1993 to 1996. He is also a Director of Lai Sun Garment (International) Limited and a Fellow of the Association of Chartered Certified Accountants.

Mr. Lam Kin Ngok, Peter, aged 43, was appointed an executive Director and elected the Chairman of the Company in October 1996. Mr. Lam ceased to be the Chairman in December 1999 but remained as an executive Director of the Company. He is also a deputy chairman of Lai Sun Garment (International) Limited (“LSG”), the chairman and president of Lai Sun Development Company Limited (“LSD”), a Director of Crocodile Garments Limited and the chairman of Lai Fung Holdings Limited. LSD is a controlling shareholder of the Company and LSG is a controlling shareholder of LSD. Mr. Lam has extensive experience in property development and investment business. He is a Director of the Real Estate Developers Association of Hong Kong, a member of the Hong Kong Hotel Owners Association and a council member of the Anglo Hong Kong Trust. Mr. Lam is a son of Mr. Lim Por Yen and is the younger brother of Mr. Lam Kin Ming.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS (continued)

Executive Directors (continued)

Mr. Lim Por Yen, aged 86, is the founder of the Lai Sun Group. He is an executive Director of the Company and was first appointed to the Board in October 1996. He is also the chairman and managing Director of Lai Sun Garment (International) Limited (“LSG”), the honorary chairman of Lai Sun Development Company Limited (“LSD”) and the chairman of Crocodile Garments Limited. LSD is a controlling shareholder of the Company and LSG is a controlling shareholder of LSD. Mr. Lim first became involved in the property development and investment business in the mid-1950’s and has over 60 years’ experience in the garment business. He is an honorary citizen of the city of Guangzhou, the city of Swatow, the city of Xiamen and the city of Zhong Shan in the People’s Republic of China. Mr. Lim was also one of the Hong Kong Affairs Advisers to the People’s Republic of China and is a founder member of The Better Hong Kong Foundation.

Mr. Liu Ngai Wing, aged 50, was appointed an executive Director of the Company in November 1998. He is also the non-executive chairman of Yoshiya International Corporation, Limited, and an independent non-executive Director of Hang Fung Gold Technology Limited and Climax International Company Limited and Chief Executive Officer of Singapore Hong Kong Properties Investment Ltd., all being listed companies in Hong Kong. Mr. Liu holds a Master Degree in Business Administration and is an Associate Member of both the Hong Kong Society of Accountants and the Institute of Chartered Secretaries and Administrators, and is also a Fellow of the Association of Chartered Certified Accountants.

Non-Executive Directors

Mr. Lam Kin Ming, aged 63, is a non-executive Director of the Company and was first appointed to the Board in October 1996. Mr. Lam is also a deputy chairman of Lai Sun Garment (International) Limited (“LSG”) and has been involved in the day-to-day management of the garment business since 1958. He is also the deputy chairman of Crocodile Garments Limited and a Director of Lai Sun Development Company Limited (“LSD”) and Lai Fung Holdings Limited. LSD is a controlling shareholder of the Company and LSG is a controlling shareholder of LSD. Mr. Lam is a son of Mr. Lim Por Yen and is the elder brother of Mr. Lam Kin Ngok, Peter.

Miss Tam Wai Chu, Maria, G.B.S., C.B.E., J.P., aged 55, was appointed to the Board in October 2000. Miss Tam is a member of the Hong Kong Bar Association having been called to the Bar at Gray’s Inn in England in 1972 and admitted into practice in Hong Kong in 1973. She has been closely involved in community and public administration services in Hong Kong since 1979 and has served on an extensive number of public and government bodies. Miss Tam is a member of the Basic Law Committee of Hong Kong Special Administrative Region, and a deputy to the National People’s Congress. In addition to her other current community duties, she is also a board member of the Airport Authority of Hong Kong and the president of Hong Kong Police Force Junior Police Officers’ Association. Miss Tam sits on the boards of a number of publicly-listed and private companies in Hong Kong.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS (continued)

Non-Executive Directors (continued)

Madam U Po Chu, aged 76, is a non-executive Director of the Company and was first appointed to the Board in October 1996. She is also a non-executive Director of Lai Sun Garment (International) Limited (“LSG”), Lai Sun Development Company Limited (“LSD”) and Crocodile Garments Limited. LSD is a controlling shareholder of the Company and LSG is a controlling shareholder of LSD. Madam U has 56 years’ experience in the garment manufacturing business and has been involved in the printing business since the mid-1960’s. In the early 1970’s, she started to expand the business to fabric bleaching and dyeing and also became involved in property development and investment in the late 1980’s. She is Mr. Lim Por Yen’s wife.

Mr. Shiu Kai Wah, aged 68, is a non-executive Director of the Company and was first appointed to the Board in October 1996. He is also a Director of Lai Sun Garment (International) Limited, Lai Sun Development Company Limited and Crocodile Garments Limited. Mr. Shiu has over 30 years’ experience in the management of the garment business.

Mr. Chiu Wai, aged 70, is a non-executive Director of the Company and was first appointed to the Board in October 1996. Mr. Chiu is also a Director of Lai Sun Garment (International) Limited (“LSG”), Lai Sun Development Company Limited and Crocodile Garments Limited. Mr. Chiu has 46 years’ experience in production management and is responsible for the operation and administration of LSG. He has been working for the Lai Sun Group’s garment business since 1955.

Mr. Victor Yang, aged 55, first joined the Board in October 1996. He is a founding partner of the Canadian law firm of Boughton Peterson Yang Anderson and is presently a member of the Law Societies of British Columbia in Canada, Hong Kong and the United Kingdom. He has more than 27 years of legal experience.

Mr. Alfred Donald Yap, J.P., aged 62, is an independent non-executive Director of the Company and was first appointed to the Board in December 1996. Mr. Yap is presently a consultant of Donald Yap, Cheng & Kong. Mr. Yap is a former president of The Law Society of Hong Kong and past president of The Law Association for Asia and the Pacific (LAWASIA). Mr. Yap is also a former Hong Kong Affairs Adviser appointed by the Chinese Government.

Mr. Low Chee Keong, aged 40, was appointed an independent non-executive Director of the Company in August 1999. Mr. Low has been a member of the Chartered Institute of Marketing of the United Kingdom since 1986. He has over 10 years’ experience in the property development and maintenance industry in Singapore, and is currently the managing Director of Hong Siong Holding Pte Ltd..

Report of the Directors

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 31st December, 2000, the interests of the Directors and the chief executive of the Company in the equity or debt securities of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance) (the "SDI Ordinance") as recorded in the register required to be kept pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

(a) The Company

Name	Number of Shares Held				Total
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Lien Jown Jing, Vincent	621,200	Nil	Nil	2,000,000 (Note 1) 310,600 (Note 2)	621,200
Stephen Hung	Nil	Nil	Nil	3,000,000 (Note 1)	Nil
Lee Po On	Nil	Nil	Nil	4,000,000 (Note 1)	Nil
Lam Kin Ngok, Peter	2,284,378	Nil	Nil	7,000,000 (Note 1) 1,142,189 (Note 2)	2,284,378
Lim Por Yen	1,104,578	Nil	190,341,861 (Note 3)	95,723,219 (Note 2)	191,446,439
Liu Ngai Wing	7,477	Nil	Nil	1,200,000 (Note 1) 3,738 (Note 2)	7,477
U Po Chu	75,000	Nil	Nil	37,500 (Note 2)	75,000
Victor Yang	Nil	Nil	Nil	2,400,000 (Note 1)	Nil

Note 1: An employee share option scheme was adopted by the Company on 25th November, 1996 and will remain in force for a period of 10 years. An option granted under the share option scheme may be exercised in accordance with the terms of the scheme and the conditions of grant during the two-year period commencing on the expiry of six months after the date on which the option is accepted and expiring on the last day of the two-year period.

Report of the Directors

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES (continued)

(a) The Company (continued)

Options held by certain Directors of the Company as at 31st December, 2000 are set out below:

Name	Date of Grant	Number of Options*	Option Period	Subscription Price*
Lien Jown Jing, Vincent	12/02/2000	2,000,000	13/08/2000–12/08/2002**	HK\$3.05 per share
Stephen Hung	12/02/2000	3,000,000	13/08/2000–12/08/2002**	HK\$3.05 per share
Lee Po On	04/03/2000	4,000,000	05/09/2000–04/09/2002	HK\$7.00 per share
Lam Kin Ngok, Peter	12/02/2000	4,000,000	13/08/2000–12/08/2002	HK\$3.05 per share
	04/03/2000	3,000,000	05/09/2000–04/09/2002	HK\$7.00 per share
Liu Ngai Wing	22/02/1999	1,200,000	23/08/1999–22/08/2001	HK\$2.50 per share
Victor Yang	12/02/2000	400,000	13/08/2000–12/08/2002**	HK\$3.05 per share
	04/03/2000	2,000,000	05/09/2000–04/09/2002	HK\$7.00 per share

* as adjusted by the share consolidation which took effect on 29th December, 2000

** in 4 six-month tranches

Note 2: On 29th December, 2000, shareholders of the Company approved a rights issue of 188,528,309 rights shares in the proportion of one rights share for every two existing shares held, payable in full on acceptance. On the same day, the following nil-paid rights shares of the Company were provisionally allotted to the following Directors. They were entitled to accept their provisional entitlement at HK\$0.85 per rights share on or before 15th January, 2001. Their entitlements had been taken up in full. On 16th January, 2001, the rights issue became unconditional.

Name	Number of Nil-Paid Rights Shares
Lien Jown Jing, Vincent	310,600
Lam Kin Ngok, Peter	1,142,189
Lim Por Yen	95,723,219***
Liu Ngai Wing	3,738
U Po Chu	37,500

*** These interests included the entitlements of Lai Sun Development Company Limited and its subsidiaries in the nil-paid rights shares totalling 95,170,930.

Note 3: Lai Sun Development Company Limited ("LSD") and its wholly-owned subsidiaries beneficially owned 190,341,861 shares in the Company. Lai Sun Garment (International) Limited ("LSG") and its wholly-owned subsidiary held an interest of about 42.25% in the issued share capital of LSD. Mr. Lim Por Yen (together with his spouses) held an interest of about 34.30% in the issued share capital of LSG. Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming, Madam U Po Chu and Madam Lai Yuen Fong were Directors of LSG and held in aggregate an interest of about 42% in the issued share capital of LSG.

Report of the Directors

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES (continued)

(b) Associated Corporations

(i) Lai Sun Development Company Limited ("LSD")

Name	Number of Ordinary Shares Held				Total
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Lam Kin Ngok, Peter	10,099,585	Nil	Nil	Nil	10,099,585
Lim Por Yen	197,859,550	Nil	1,582,869,192	Nil	1,780,728,742
			(Note)		
Liu Ngai Wing	800	Nil	Nil	Nil	800
U Po Chu	633,400	Nil	Nil	Nil	633,400
Chiu Wai	195,500	Nil	Nil	Nil	195,500

Note: LSG and its wholly-owned subsidiary beneficially owned 1,582,869,192 ordinary shares in LSD. Mr. Lim Por Yen (together with his spouses) held an interest of about 34.30% in the issued share capital of LSG. Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming, Madam U Po Chu and Madam Lai Yuen Fong were Directors of LSG and held in aggregate an interest of about 42% in the issued share capital of LSG.

(ii) Lai Fung Holdings Limited ("LFH")

Name	Number of Shares Held				Total
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Lim Por Yen	Nil	Nil	780,958,912	Nil	780,958,912
			(Note 1)	(Note 2)	
Liu Ngai Wing	3,000	Nil	Nil	Nil	3,000
Victor Yang	10,000	Nil	Nil	Nil	10,000

Note 1: LSD and LSG beneficially owned 779,958,912 shares and 1,000,000 shares in LFH respectively. LSG and its wholly-owned subsidiary held an interest of about 42.25% in the issued share capital of LSD. Mr. Lim Por Yen (together with his spouses) held an interest of about 34.30% in the issued share capital of LSG. Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming, Madam U Po Chu and Madam Lai Yuen Fong were Directors of LSG and held in aggregate an interest of about 42% in the issued share capital of LSG.

Note 2: During 21st November, 2000 to 23rd November, 2000, LSG acquired the principal face value of US\$37,640,000 (approximately HK\$293,592,000) of convertible guaranteed bonds due 2000 issued by Lai Fung Overseas Finance Limited, a wholly-owned subsidiary of LFH. These bonds matured on 28th November, 2000 and were mandatorily converted into shares of LFH on 10th January, 2001 pursuant to the terms and conditions of the aforesaid bonds.

In addition to the above, one Director held non-beneficial interests in the share capital of some of the subsidiaries of the Company and of its associated corporation as nominee shareholders for the purpose of complying with the statutory requirement for a minimum number of shareholders for those subsidiaries.

Report of the Directors

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES (continued)

Save as disclosed above, as at 31st December, 2000, none of the Directors or the chief executive of the Company or their respective associates had any interests in the equity or debt securities of the Company or any of its associated corporations which were required to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance or the Model Code (including interests which they were deemed or taken to have under Section 31 of or Part I of the Schedule to the SDI Ordinance) or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein.

ARRANGEMENTS TO PURCHASE SECURITIES AND DEBENTURES

An employee share option scheme was adopted by the Company on 25th November, 1996 and will remain in force for a period of 10 years. An option granted under the share option scheme may be exercised in accordance with the terms of the scheme and the conditions of grant during the two-year period commencing on the expiry of six months after the date on which the option is accepted and expiring on the last day of the two-year period.

Options held by certain Directors of the Company as at the date of this Report are set out below:

Name	Date of Grant	Number of Options*	Option Period	Subscription Price*
Lien Jown Jing, Vincent	12/02/2000	2,250,000	13/02/2001–12/08/2002**	HK\$2.655 per share
Stephen Hung	12/02/2000	3,375,000	13/02/2001–12/08/2002**	HK\$2.655 per share
Lee Po On	04/03/2000	6,000,000	05/09/2000–04/09/2002	HK\$6.094 per share
Lam Kin Ngok, Peter	12/02/2000	6,000,000	13/08/2000–12/08/2002	HK\$2.655 per share
	04/03/2000	4,500,000	05/09/2000–04/09/2002	HK\$6.094 per share
Liu Ngai Wing	22/02/1999	1,800,000	23/08/1999–22/08/2001	HK\$2.176 per share
Victor Yang	12/02/2000	450,000	13/02/2001–12/08/2002**	HK\$2.655 per share
	04/03/2000	3,000,000	05/09/2000–04/09/2002	HK\$6.094 per share

* As adjusted by the share consolidation, the rights issue and the following lapse of options as at the date of this Report:

Name	Number of Options Lapsed
Lien Jown Jing, Vincent	750,000
Stephen Hung	1,125,000
Victor Yang	150,000

** in 3 six-month tranches

In addition to the above options held by the Directors, as at the date of this Report, a total of 2,250,000 share options were held by two employees at a subscription price of HK\$2.655 per share and a total of 900,000 share options were held by another employee at a subscription price of HK\$1.232 per share. All of the above share options have been adjusted by the share consolidation, the rights issue and the lapse of options after 12th February, 2001, where applicable.

Report of the Directors

ARRANGEMENTS TO PURCHASE SECURITIES AND DEBENTURES

(continued)

Save as disclosed above, at no time during the year was the Company, any of its holding companies, subsidiaries, or fellow subsidiaries, a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of the equity or debt securities of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2000, the following persons were interested or deemed to be interested in 10% or more of the nominal value of the issued share capital of the Company as recorded in the register required to be kept under Section 16(1) of the SDI Ordinance:

	Number of Shares Held
Lai Sun Development Company Limited ("LSD")	190,341,861
Lai Sun Garment (International) Limited ("LSG")	190,341,861
	<i>(Note)</i>
Lim Por Yen	190,341,861
	<i>(Note)</i>

Note: These interests in the Company were held by LSD and its subsidiaries. LSG and Mr. Lim Por Yen were deemed to be interested in the 190,341,861 shares in the Company held by LSD and its subsidiaries by virtue of LSG and its wholly-owned subsidiary holding collectively an interest of about 42.25% in the issued share capital of LSD. Mr. Lim Por Yen (together with his spouses) held an interest of about 34.30% in the issued share capital of LSG. Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming, Madam U Po Chu and Madam Lai Yuen Fong were Directors of LSG and held in aggregate an interest of about 42% in the issued share capital of LSG.

Save for the interests disclosed above, the Directors are not aware of any other person being interested in 10% or more of the issued share capital of the Company as at 31st December, 2000.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31st December, 2000, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PENSION SCHEME

Details of the pension scheme of the Group and the employer's pension costs charged to the profit and loss account for the year are set out in notes 2 and 6 to the financial statements, respectively.

FIXED ASSETS

Details of movements in the fixed assets of the Group during the year are set out in note 12 to the financial statements.

Report of the Directors

SUBSIDIARIES

Details of the Company's principal subsidiaries at the balance sheet date are set out in note 15 to the financial statements.

ASSOCIATES

Particulars of the Group's principal associates at the balance sheet date are set out in note 17 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year and subsequent thereto, together with the reasons therefor, are set out in notes 30 and 36, respectively, to the financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 31 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31st December, 2000, the Company had no reserves available for cash distribution and/or distribution in specie, calculated in accordance with Companies Act 1981 of Bermuda (as amended).

DONATIONS

During the year, the Group made charitable and other donations totalling HK\$2,600,000.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 36 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, both the Group's sales to its five largest customers and purchases from its five largest suppliers accounted for less than 30% of the total sales and purchases, respectively.

Report of the Directors

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial periods, which have been prepared on the basis that the Group structure under the Scheme of Arrangement announced by the Directors on 2nd September, 1996 had been in existence throughout the periods presented, as extracted from the audited financial statements and adjusted as appropriate, is set out below:

RESULTS

	Year ended 31st December				Five months ended 31st December
	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000	1996 HK\$'000
TURNOVER	<u>174,536</u>	<u>374,694</u>	<u>369,221</u>	<u>405,094</u>	<u>60,429</u>
PROFIT/(LOSS) BEFORE TAX	<u>(291,237)</u>	<u>(1,322,202)</u>	<u>(61,131)</u>	<u>146,347</u>	<u>(14,560)</u>
Tax	<u>(14,875)</u>	<u>(4,649)</u>	<u>(13,703)</u>	<u>(16,109)</u>	<u>(4,088)</u>
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	<u>(306,112)</u>	<u>(1,326,851)</u>	<u>(74,834)</u>	<u>130,238</u>	<u>(18,648)</u>
Minority interests	<u>462</u>	<u>442,100</u>	<u>25,032</u>	<u>(20,090)</u>	<u>(607)</u>
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS	<u>(305,650)</u>	<u>(884,751)</u>	<u>(49,802)</u>	<u>110,148</u>	<u>(19,255)</u>

Report of the Directors

SUMMARY OF FINANCIAL INFORMATION (continued) ASSETS AND LIABILITIES

	As at 31st December				
	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000	1996 HK\$'000
Fixed assets	95,089	1,107,843	2,580,724	2,195,057	423,795
Investment properties	—	—	483,000	479,919	—
Properties under development	—	—	—	563,230	398,716
Long term investments	34,553	85,001	—	—	—
Goodwill	—	—	61,272	86,874	89,257
Associates	52,537	81,062	1,191,398	1,533,539	286,560
Long term deposits	—	—	10,000	83,622	—
Due from Furama Hotel Enterprises Limited	1,500,040	—	—	—	—
Deposits paid to Furama Hotel Enterprises Limited	—	1,900,000	—	—	—
Due from Lai Sun Development Company Limited	—	—	382,377	382,690	—
Deferred tax assets	1,360	1,397	7,873	2,470	—
Long term receivables	—	92,832	31,091	—	—
Current assets	<u>284,912</u>	<u>496,539</u>	<u>863,840</u>	<u>569,431</u>	<u>243,005</u>
TOTAL ASSETS	<u>1,968,491</u>	<u>3,764,674</u>	<u>5,611,575</u>	<u>5,896,832</u>	<u>1,441,333</u>
Current liabilities	(57,016)	(195,487)	(723,713)	(431,718)	(265,528)
Long term bank loans and other borrowings	<u>(103)</u>	<u>(232,829)</u>	<u>(305,027)</u>	<u>(704,998)</u>	<u>(189,733)</u>
TOTAL LIABILITIES	<u>(57,119)</u>	<u>(428,316)</u>	<u>(1,028,740)</u>	<u>(1,136,716)</u>	<u>(455,261)</u>
MINORITY INTERESTS	<u>(221)</u>	<u>(338,754)</u>	<u>(743,341)</u>	<u>(778,874)</u>	<u>(131,695)</u>
NET ASSETS	<u>1,911,151</u>	<u>2,997,604</u>	<u>3,839,494</u>	<u>3,981,242</u>	<u>854,377</u>

Report of the Directors

CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange. The non-executive Directors of the Company are subject to retirement by rotation and re-election at the Company's Annual General Meeting in accordance with the Company's Bye-laws.

The Company has established an audit committee in accordance with paragraph 14 of the Code of Best Practice. The audit committee comprises two independent non-executive Directors, Mr. Alfred Donald Yap and Mr. Low Chee Keong as at the report date. The terms of reference of the audit committee were adopted with regard to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Society of Accountants in December 1997. During the past twelve months, two audit committee meetings have been held.

AUDITORS

Ernst & Young retire at the conclusion of the forthcoming Annual General Meeting and a resolution for their reappointment as auditors of the Company will be proposed at the Annual General Meeting.

On Behalf of the Board

Lien Jown Jing, Vincent

Chairman

Hong Kong

20th April, 2001